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MEDIA RELEASE

Hong Kong and Singapore, 8 November 2018

Asian Family Businesses are Yet to Embrace Deep Transformation to Turn Disruption into Opportunity: Lombard Odier

- Study finds that most Asian family businesses from China, Hong Kong, Indonesia, Japan, the Philippines, Singapore, and Thailand are aware of technological forces disrupting their businesses, but only less than half have devised and executed a response strategy
- Family businesses should better harness generational diversity, overcome entrenchment and engage external sources of talent and capital to sustain growth between generations

94.1% of family businesses in Asia have experienced or foresee impact from at least one technological disruption, but less than half are prepared to go beyond the awareness stage to actively integrating disruptive technologies into their business models, according to a study commissioned by Lombard Odier, a global wealth and asset manager.

The report, titled “**Where Technological Disruptors Meet Asian Family Businesses: Rethinking Next-Generation Leadership and Career**”, is authored by Professor Roger King and Jeremy Cheng of the Tanoto Center for Asian Family Business and Entrepreneurship Studies at The Hong Kong University of Science and Technology (HKUST) and based on the results of an extensive survey conducted by Lombard Odier and HKUST of 119 next generation members of family businesses in South East Asia and North Asia.

The top five disruptors to Asian family businesses include big data (60.5%), artificial intelligence or AI (52.1%), Internet of Things or IoT (48.7%), renewable energy (42.0%), and robotics (40.3%).

Awareness but limited action

While over 60% of respondents have taken steps to identify and understand the nature of disruptive technologies, only one-third have developed a clear perspective on the future direction for their own industry, market, and business amid technological disruptions. 12% did not take any action at all when facing technological disruptions, while only less than 30% managed to embrace deep transformation by integrating disruptive technologies into their existing business models.

On average, it took approximately 28 months for Asian family businesses to identify and execute a response to a disruptive technology.

Barriers to countering disruption

Major barriers to Asian family businesses overcoming disruption include rigid mental models, emotional ties to loyal staff and existing assets, formalization, and political resistance. Asian family businesses also show low dependence on resources from external capital providers, indicating their concern about control dilution.

Families should rethink their control mentality. Those choosing to delicately balance control and resources may stand a better chance of exploiting opportunities presented by technological disruption.

Professor Roger King, from the Tanoto Center for Asian Family Business and Entrepreneurship Studies at HKUST, said “Today’s owners of Asian family businesses need to open up, embrace technological disruptions and rethink their businesses.

Many Asian family businesses are still in the awareness stage and remain far from formulating competitive strategies to exploit opportunities fuelled by technological disruption. External advisors and investment can be valuable in this process, yet our findings showed that only one quarter of family businesses in Asia had engaged outside expertise to manage technological disruptions. Such entrenchment could be an expensive lesson to a family business facing abrupt environmental changes.”

Other regions less impacted than Asia

Over 94% of the respondents in Asia said that their family businesses would be affected by at least one disruptive technology. This is in strong contrast to a separate 2017 survey¹, where over half of family businesses in Europe, Middle East, and Africa indicated that they did not experience any market disruptions. While technological disruption is not a unique phenomenon in Asia, it appears that Asian family businesses are facing a keen drive in transforming themselves facing waves of technological disruptions.

“Family businesses must strive to maintain flexibility and agility to be able to respond to disruptions in a timely manner. This can be a challenge when a family business grows in size and is passed down across generations,” said Vincent Magnenat, Limited Partner, and CEO Asia Pacific at Lombard Odier.

Embracing generational differences - “It’s not a life sentence”

The study found that Generation X took longer to recognise disruptive technologies than Generation Y. Families should actively consider strategies that capitalise of Generation Y’s digital diversities and absorb home-grown digital natives in their response to technological disruption.

¹ Deloitte (May 2017). *Next generation family businesses: Leading a family business in a disruptive environment*

However, families should be mindful of other potential generational differences. Generation Y/Z counterparts are far more motivated by the concept of “being my own boss” than their Generation X counterparts. 34% of the next generation wanted to lead or work in their family businesses whilst creating their own ventures.

Encouraging next generation members of the family business to create their own ventures that leverage disruptive technologies can lead to new revenue streams for the family. Alternatively, even exiting the business to refocus on different areas is a valid and valuable option, if well planned, to counter disruptive forces.

Mr Magnenat added, “The study has highlighted Generation Y’s ability to add value by identifying disruptive technologies quicker than prior generations, but an increasing number want to create their own ventures. Families should look to embrace the next generation’s digital savviness within the family business, or alternatively grab opportunities to turn next generation start-ups or spinoffs into a disruptor.”

The study draws upon the real-life experiences of **Richie Eu** (a fifth-generation member of a 140-year-old Traditional Chinese Medicine family business, Eu Yan Sang), **Juthasree “June” Kuvnichkul** (the third generation of a commodity-based Thai Chinese family business, Metta Group, and Co-founder of Grab Taxi Thailand) and **Terukazu Mishiba** (a second-generation member of a leading IT information security provider, LAC Co, and owner of a high-quality Japanese teahouse, Chasanraku Tea Room).

In Asia, Lombard Odier provides wealth management solutions, including DPM and family services, to entrepreneurs and family businesses from its three offices in Asia, as well as to the clients of its banking partners around the region.

Please find the full report in attachment

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About Lombard Odier

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Lombard Odier provides a complete offering of wealth services, including succession planning, discretionary and advisory portfolio management, and custody. Asset management services are offered through Lombard Odier Investment Managers (LOIM). The Group has also created cutting-edge banking technology which is distributed to other financial institutions.

The Group had total client assets of 274 billion Swiss francs at 30 June 2018. Headquartered in Geneva since 1796, the Group has 27 offices in 23 jurisdictions and employs 2,450 people.

For more information: www.lombardodier.com

About HKUST Tanoto Center for Asian Family Business and Entrepreneurship Studies

The Tanoto Center for Asian Family Business and Entrepreneurship Studies is a leading research center in the burgeoning field of Asian family business and entrepreneurship studies. It aims to bridge the knowledge gap between academics and practitioners as well as policymakers in all of its programs and activities. Recognizing the multi-disciplinary nature of the field of family business and entrepreneurship, the Center collaborates with various departments at HKUST and institutions around the world to organize academic and industry symposiums and roundtable events, conduct and publish top-quality academic research and articles in leading journals and newspapers, provide both tailor-made and open-enrollment training programs, write and teach cases on Asian family businesses and entrepreneurship.

About the Authors

Professor Roger King is the Founding Director of the Tanoto Center for Asian Family Business and Entrepreneurship Studies, Founding Director of the Thompson Center for Business Case Studies, and Adjunct Professor of Finance at The Hong Kong University of Science and Technology (HKUST). He is an Honorary Court Member of HKUST; member of the Board of Governors of Tel Aviv University; member of the Academic Council of Moscow School of Management SKOLKOVO; Chairman of the Case Center, Association of Asia-Pacific Business Schools; member of the Editorial Board of the Journal of Family Business Strategy; and member of Ernst & Young Family Business Advisory Council. Professor King is a graduate of the University of Michigan, BSEE; New York University, MSEE; Harvard Business School, AMP; and HKUST, PhD (Finance).

Amongst many of his distinguished roles and services, Professor King was Non-Executive Director of Orient Overseas (International) Limited and COO of Orient Overseas (Holdings) Limited; Chairman and Founder of ODS System-Pro Computers Limited; Chairman of Pacific Coffee Limited; President and CEO of Sa Sa International Holdings Limited; Supervisory Board member of TNT Express; Chairman of the Association of Honorary Consuls in Hong Kong and Macau; Honorary Consul for the Republic of Latvia in HKSAR; and Standing Committee Member of the Zhejiang Province People's Political Consultative Conference. He is the 2011 recipient of the HKUST Honorary Fellowship.

Mr Jeremy Cheng is Center Manager of the Tanoto Center for Asian Family Business and Entrepreneurship Studies at The Hong Kong University of Science and Technology (HKUST). Before joining HKUST, Jeremy helped establish the Center for Family Business at The Chinese University of Hong Kong. He is affiliated with the Successful Transgenerational Entrepreneurship Practices Project and is serving its research subcommittee. He is a faculty member of the Global Education Network of the Family Firm Institute (FFI), and leads GEN501 “Myths, Realities, and Trends in the Field of Family Enterprise”. His research in transgenerational entrepreneurship gradually unfolds to cover topics such as governance, philanthropy, career development, gender issues and political ties. He is interested in promoting the understanding of family business in the Asia-Pacific context. Some recent initiatives include the launch of the FFI Asian Circle as its founding chair and his committee work in organizing the Second International Conference on Bowen Family Systems Theory. Mr Cheng holds ACFBA and ACFWA from FFI, MBA, MA (Linguistics), BSSc (Psychology), and postgraduate/professional diplomas in education and financial planning respectively.

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